

TESTIMONY OF JOSEPH SAPONARO
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Before

THE HOUSE COMMITTEE ON HOMELAND SECURITY,
SUBCOMMITTEE ON MANAGEMENT, INTEGRATION AND OVERSIGHT

Hearing on
“Mismanagement of the Border Surveillance System and
Lessons for the New America’s Shield Initiative”

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Written Testimony of Joseph Saponaro

Good morning, Mr. Chairman. I am Joe Saponaro, President of L-3 Communications, Government Services, Inc., known as GSI. I am joined by Tom Miiller, General Counsel of L-3 Communications Government Services Group, of which GSI is a division.

First, thank you for inviting L-3 to participate in this hearing. L-3 is keenly aware of the paramount importance of the America Shield Initiative in protecting our borders and securing our safety – elements that are crucial to victory in the Global War on Terror. We are honored to have this opportunity to share our relevant corporate experience and offer ideas to help make ASI a successful program.

A program the magnitude of ASI will only be successful if the Congress is active in providing leadership, resources and guidance for the program. With clear Congressional participation, the executive branch – through the professionals at the US Customs and Border Protection Service – can confidently define the objectives, develop the plans and implement a comprehensive ASI program that will produce unprecedented levels of security for the American people.

It is in that context that we would like to share our experiences and lessons learned from the Remote Video Surveillance contract, which was, in some measure, a predecessor to ASI. The RVS contract was let by the Immigration and Naturalization Service in 1999 through the General Services Administration. It was a small contract –\$5 million initially – awarded to a small business, International Microwave Corporation (IMC), later acquired by L-3 Communications. It is important to keep in mind that the objective of RVS was to deploy video technology along key points of the US borders. When the contract was first let it was never envisioned that it would become a comprehensive shield to protect our country.

In the post-9/11 world, the RVS objective changed. No longer was the paramount concern one of illegal immigration; suddenly and irrevocably, the issue became one of preventing terrorists from reaching American soil. Consequently, the RVS contract became a high priority program, with funding that exceeded \$150 million by its expiration on September 30, 2004 – orders of magnitude larger and more complex than envisioned in the original contract. It is fair to say that the contract outgrew the company performing it and the Government offices administering it, neither of which had the processes in place at that time to efficiently work a contract of this magnitude. And yet, had RVS been fully deployed, it would have only covered 4% of the borders. Even with its staggering growth, RVS was never a project of ASI's scope and size.

In November 2002, L-3 purchased IMC. In the RVS contract, IMC had an important mission that was consistent with L-3's strategic goals in supporting the defense of our country. Moreover, at that time, performance of the RVS contract was, from the customer's assessment, satisfactory. There was no indication of any weaknesses in the IMC management concept or in the program's execution.

By the middle of 2003, however, the effects of the unplanned growth of the RVS program were becoming apparent; IMC did not have adequate program and contract management experience to

keep up with the mounting complexity of the project. Recognizing this management challenge, L-3 moved aggressively to reengineer our management concept. We merged IMC into Government Services, Inc. on January 1, 2004 and replaced IMC's original management team.

During spring of 2004, the RVS contract was audited by the GSA Office of the Inspector General as a part of the agency-wide review of contracting practices under GSA's Information Technology Schedule contracts. The audit report, which was harshly critical of GSA contracting practices, was issued in December 2004. The fundamental finding of the audit was that GSA had awarded contracts under GSA IT Schedule 70 contract vehicles for materials and services that could not be appropriately purchased under those contracts. RVS was identified as one such contract for GSA Region 5.

The RVS contract expired on September 30, 2004 even though not all funded sites had been installed. We believe that the results of the audit led directly to GSA's decision not to extend the RVS project, even though L-3 and the Border Patrol had been repeatedly assured by the GSA contracting officer that it would be extended.

While L-3 is mindful of the shortcomings of the greatly expanded RVS contract, we believe the successes of the program must also be recognized. By the expiration of the RVS contract on September 30, 2004, a total of 246 sites with daytime and night vision cameras had been installed. Where properly maintained, the system is operational today. However, as with any high technology system exposed to the environment, RVS cannot be expected to operate continuously without regular maintenance. It will, in time, cease to function. Without a contract, L-3 can only informally advise the Border Patrol on how to handle these failures and L-3 has been forthcoming with such advice whenever asked. It is also important to note that L-3 has honored and will continue to honor all of its warranty obligations under the contract.

I know that this Committee is aware of the allegations of IMC wrongdoing under the RVS contract that emerged from the audit, such as: camera substitutions; no operation and maintenance services performed by IMC; the Government not receiving delivery of certain RVS systems; and problems at the Blaine, Washington site. While there are important lessons to be learned from the contract, the audit allegations were unfounded. We have provided the Committee a copy of our detailed responses refuting these allegations, which were sent to both GSA and the IG in January. Our responses to these allegations show with specific detail and back-up data that the IG claims were wrong. L-3 does not know whether the contract was *legally* awarded under the IT schedule. We understand that GSA disputes this finding.

L-3 does know, without doubt, that IMC did not improperly substitute cameras and over-bill the contract as alleged in the report. Documentation of this has been provided to the Committee. All cameras delivered during the RVS program were (1) authorized under the contract, (2) billed in accordance with the contract and, most importantly, (3) selected by the customer.

We also know that we provided the services billed for at the Operations and Maintenance Center in Albuquerque, New Mexico, contrary to the report's allegation that no work had been performed there for the last year of the contract. Documentation of this has been provided to the Committee. There are exhaustive records of work performed at the O & M Center which fully

refute the IG's allegation. Further, the allegation in the IG report was apparently based on an anecdotal comment made by an unidentified individual in the course of an entirely different audit and, to our knowledge, the GSA IG never tested the veracity of that statement.

We know that the Government received full value under the contract for all sites, whether they were complete at the time of contract expiration or not. Documentation of this has been provided to the Committee. The IG inspected certain sites while conducting their audit in spring of 2004. The IG then reached the conclusion that these eight sites were incomplete and that the Government had been charged approximately \$20 million. The IG report overlooked, first, that performance continued at these sites from spring 2004 until contract expiration on September 30, 2004. Consequently, of the eight sites mentioned, installation of four sites was effectively complete by contract expiration. The remaining four sites could not be completed in time because of the Government's difficulties in conducting environmental assessments and acquiring land rights. Finally, even at the incomplete sites, L-3 can only be paid for the costs incurred when the contract expired. Thus, the Government has not paid for work or materials it has not received.

We know that problems at the Blaine, Washington site set forth in the IG report were all corrected at L-3's expense and that the site was fully functional when the contract expired. Documentation of this has been provided to the Committee. L-3 acknowledges that there were problems with the Blaine installation. By contract expiration, the Blaine site had been fully remediated to the Government's satisfaction.

Beyond the clearly erroneous allegations contained in the report, L-3 notes that the GSA IG never allowed L-3 to comment on its findings prior to publishing its report, which is the normal procedure in the audit process. The simple act of discussing these charges with L-3 prior to issuing the report could have prevented the spread of inaccurate and damaging information. The damage done by this report to L-3's reputation has been significant, and L-3 is working hard to correct the record. The Committee has our detailed responses that were submitted to GSA and the IG last January. L-3 is here today because we take our partnership with the Government seriously and have a deep sense of responsibility for the continued performance of the RVS program.

Indicative of our commitment, L-3 continued to support the RVS program without interruption even though GSA ceased paying L-3's invoices in March 2004, presumably because of the ongoing IG audit. Up until September 24, 2004, GSA assured L-3 and the Border Patrol that the RVS contract would be extended, probably until the end of 2004, so that critical installations could be completed. On September 24, GSA notified L-3 that there would be no extension of labor funding and that L-3 was to stand down and cease work effective September 30. Both L-3 and the Border Patrol sought relief from this but were unsuccessful. To this day, we are working through an exhaustive invoice review process with the Border Patrol and GSA to collect the millions of dollars still owed on this contract.

What are the critical considerations for ASI and what can we learn from the RVS experience to help ensure the success of ASI?

First, selection of the proper contract vehicles and program management structure will ensure that the needed skill sets and management experience are devoted to ASI and that the Government can be assured of optimal results. The proper contract vehicle will allow for the installation, construction and other activities required to deploy sensors on our borders.

ASI has at least two complicating elements: it will involve substantial construction and it will be a massive system integration effort. Accordingly, it will require sophisticated program and contract management, working as a team – preferably within a single customer agency. A serious RVS problem was that one agency was handling the program management while another had the contracting authority. This created an untenable situation once the contract became more complicated than simply buying products off of a schedule.

Second, a major project to deploy technology along the US borders depends, in the first instance, on the acquisition of land rights and environmental clearances – neither a quick nor simple process. Under RVS, the acquisition of land rights, which included environmental assessments, was the central reason for delayed installations. Congress and CBP should streamline the process of acquiring land rights and environmental clearances for ASI and coordinate work activities consistent with the availability of the land and access to the work sites. At a minimum, installation projects should be in two phases – phase one for land rights and phase two for installation – with the installation schedule contingent on the completion of phase one.

Third, we must address the issue of command and control. Currently, our borders are protected by 20 different sectors of the Border Patrol. Under RVS, the sectors were the dominant Border Patrol entities, rather than being coordinated by the home office. IMC often found itself trying to coordinate with two customer agencies and a contracting agency. To avoid this, we recommend that CBP install program and contract authority in the central office and have the sector offices coordinate through a single point of contact. This is all the more important given that ASI should include a command and control function and sector integration with a sophisticated and state-of-the-art command and control system.

A primary goal of ASI should be to provide to Border Patrol agents improved information on inappropriate penetrations of the U. S. borders. The CBP sectors and sites should be key elements in establishing site specific requirements for ASI. Accordingly, the CBP program management office needs to provide a forum for these sector and site requirements.

Finally, it is worth noting that RVS and, to an even greater extent, ASI are high technology projects. The temptation is to press for state of the art equipment. The problem is that the state of the art in technology is often not fully proven and can lead to disappointing results. We recommend a Congressionally-mandated technology test and evaluation process to establish that the products to be deployed will meet the life cycle requirements of the program.

The Customs and Border Protection Service has a challenging task in securing our country's borders, and L-3 is confident that CBP will gather and use the resources needed to achieve this task. Technology, properly planned and deployed along the borders, is a force multiplier that will enhance the performance of the dedicated people at CBP. L-3 not only wants to participate in this success, we feel a duty to complete the task begun under RVS.

L-3 provides high technology products and services worth billions annually to the Government. We recognize not only the letter of our obligations but the spirit as well, and we demand uncompromising standards of ethics. L-3 is successful because we honor these values.

Thank you for your time and attention. My colleague and I will be pleased to answer any questions you may have.